

Internal Revenue Service
District Director

Department of the Treasury

Person to Contact:

Contact Telephone Number:

Refer Reply to:

EIN:

Date: JAN 09 1990

Dear Sir or Madam:

We have considered your application for exemption from Federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code of 1986.

We have also considered whether your organization is exempt from Federal income tax as an organization described in section 501(c)(4) of the Code.

The information submitted discloses that you were incorporated under the nonprofit corporation laws of the State of [REDACTED] on [REDACTED].

Your Articles of Incorporation state that you are formed "to maintain, operate and manage a commercial condominium building and improvements situated at [REDACTED]..."

In Part III, Question 3, of Form 1024, you state that your "past, present, and proposed future activities are to maintain, operate and manage a commercial condominium building and improvements."

Membership in [REDACTED] is automatic upon ownership of a condominium unit at [REDACTED]. Your revenue is derived almost exclusively from member dues and assessments.

Section 501(c) of the Internal Revenue Code of 1986 describes certain organizations exempt from income tax under section 501(a) and reads, in part, as follows:

"(6) Business leagues, chambers of commerce, real-estate boards, boards of trade, or professional football leagues (whether or not administering a pension fund for football players), not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual."

and,

(4) Civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare, or local associations of employees, the membership of which is limited to the employees of a designated person or persons in a particular municipality, and the net earnings of which are devoted exclusively to charitable, educational, or recreational purposes."

Section 1.501(c)(6)-1 of the income tax regulations states, in part, as follows:

"A business league is an association of persons having some common business interest, the purpose of which is promote such common interest...It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons."

Revenue Ruling 74-99, 1974-1 C.B. 131, provides that a homeowners' association, to qualify for exemption under section 501(c)(4) of the Code, (1) must serve a "community" which bears a reasonable recognizable relationship to an area ordinarily identified as governmental, (2) must not conduct activities directed to the exterior maintenance of private residences, and (3) must provide the common area or facilities it owns and maintains for the use and enjoyment of the general public.

Revenue Ruling 74-17, 1974-1 C.B. 130, holds that an organization formed by the unit owners of a condominium housing project to provide for the management, maintenance, and care of the common areas of the project with membership assessments paid by the unit owners does not qualify for exemption.

From the information submitted, the activities engaged in by your organization constitute private benefit to members and are not within the purview of section 501(c)(6) or section 501(c)(4) of the Code. You agreed to this determination by signing Form 6018, Consent to Proposed Adverse Action, on [REDACTED].

You are required to file Federal income tax returns annually with your District Director.

Sincerely yours,

District Director